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GENERAL SERVICES ADMINISTRATION  
WASHINGTON, D. C. 20405

May 19, 1975

FEDERAL PROPERTY MANAGEMENT REGULATIONS  
AMENDMENT E-159

TO : Heads of Federal agencies

SUBJECT: Change to Subchapter E - Supply and Procurement

1. Purpose. This amendment transmits changed pages to Subchapter E - Supply and Procurement which set forth policy and procedures governing the receipt and disposition of gratuitous items.
2. Effective date. The regulation transmitted by this amendment is effective upon publication in the Federal Register.
3. Background. General Accounting Office audits indicate that companies selling selected chemical products to the Federal Government are offering bonuses and gifts as an incentive to buy their products. While the acceptance of gifts and gratuities by Federal employees is prohibited by Executive Order 11222, May 8, 1965, offers of bonus goods are, however, construed to mean a reduction in prices set forth in the applicable contracts. Heretofore, FPMR guidance on the disposition of such gratuities pertained only to trading stamps. The attached revision expands the FPMR coverage to include bonus goods.
4. Explanation of changes. Section 101-25.103 is retitled and revised to include coverage of bonus goods.
5. Effect on other issuances. Sections 101-43.312(g) and 101-43.313-6 of Subchapter H are being amended to conform with the changes transmitted by this amendment.



ARTHUR F. SAMPSON  
Administrator of General Services

FILING INSTRUCTIONS

Remove Pages  
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Insert Pages  
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Attachment

(PUBLISHED IN THE FEDERAL REGISTER JUNE 3, 1975, 40 F.R. 23856)

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**§ 101-25.000 Scope of subchapter.**

This subchapter provides policies and guidelines pertaining to the general area of supply management designed to support the logistical programs of the Federal Government. It consists of Parts 101-25 through 101-34 and provides for applicability of coverage within each of these several parts.

**§ 101-25.001 Scope of part.**

This part provides policies and guidelines pertaining to subject matter in the general area of supply management which is not appropriate for coverage in other parts of this Subchapter E.

**Subpart 101-25.1—General Policies**

**§ 101-25.101 Criteria for determining method of supply.**

**§ 101-25.101-1 General.**

(a) This § 101-25.101 prescribes general criteria governing selection of the appropriate methods of supply to be utilized in meeting the planned requirements of the Government. It is directly applicable to executive agencies, and other Federal agencies are requested to observe these criteria in conducting their supply operations.

(b) As used in this § 101-25.101, the term "use point" means a storeroom or other redistribution point where supplies, materials, or equipment representing more than a 30-day supply are maintained primarily for issue directly to consumers within the local area, as distinguished from storage points where supplies and equipment are issued to redistribution points.

**§ 101-25.101-2 Supply through storage and issue.**

The following criteria shall govern in determining whether an item can be most advantageously supplied through storage and issue to use points:

(a) The item shall be physically adaptable to storage and issue and of such a character that it is feasible to forecast overall requirements of the use points served with reasonable accuracy;

(b) Rate of use and frequency of ordering at use points shall be sufficient to warrant storage and issue;

(c) The rate of deterioration or obsolescence shall be sufficiently low to avoid unnecessary loss; and

(d) Conditions exist where any of the following factors require supply through storage and issue (except that dangerous commodities of high weight and density, or commodities highly susceptible to damage normally should not be considered for supply through storage and issue unless one or more of such factors are determined to be of overriding importance)—

(1) Where price advantage through bulk buying is sufficient to render storage and issue more economical, all costs, both direct and indirect, considered.

(2) Where close inspection or testing is necessary to secure quality, or where repetitive inspection and test of small lots are prohibitive from the standpoint of cost or potential urgency of need.

(3) Where advance purchase and storage are necessitated by long procurement leadtime.

(4) Where an item is of special manufacture or design and is not readily available from commercial sources.

(5) Where an adequate industry distribution system does not exist to assure availability at use point.

(6) Where volume purchases are necessary to secure timely deliveries and advantageous prices.

(7) Where market conditions are such that supply through storage and issue is required to assure adequate supply.

(8) Where stocking of supplies and equipment necessary for implementation of emergency plans is required for an indefinite period.

**§ 101-25.101-3 Supply through consolidated purchase for direct delivery to use points.**

The following criteria shall govern in determining whether an item can be most advantageously supplied through consolidated purchase for direct delivery to use points:

(a) The items shall be equipment or supply items of such a character that it is feasible to forecast requirements for delivery to specific use points; and

(b) Conditions exist where any of the following factors requires consolidated purchasing of such items for direct delivery to use points—

(1) Where greatest price advantage, both direct and indirect costs considered, is obtainable through large definite quantity purchasing.

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101-25.101-3(b)(2)

(2) Where an item is of special manufacture or design and is not readily available from commercial sources.

(3) Where market conditions are such that central procurement is required to assure adequate supply.

(4) Where contracts for production quantities are necessary to secure timely deliveries and advantageous prices.

(5) Where the quantity is large enough to assure lowest transportation costs or, conversely, where transportation costs for small quantity redistribution are so excessive that it is not feasible to store and issue the items.

### § 101-25.101-4 Supply through indefinite quantity requirement contracts.

The following criteria shall govern in determining whether an item can be most advantageously supplied through the medium of indefinite quantity requirement contracts covering specific periods and providing for delivery to use points as needs arise:

(a) The item shall be such a character that—

(1) Handling on a storage and issue basis is not economically sound, under the criteria prescribed in § 101-25.101-2;

(2) Rate of use and frequency of ordering at use points is estimated to be sufficient to warrant the making of indefinite quantity requirement contracts;

(3) It is either not feasible to forecast definite requirements for delivery to specific use points (as in the case of new items initially being introduced into a supply system), or no advantage accrues from doing so; and

(b) Industry distribution facilities are adequate properly to serve the use points involved; and

(c) Conditions exist where any of the following factors requires the maintaining of indefinite quantity requirements contracts—

(1) Advantage to the Government is greater than would be secured by definite quantity procurements by individual offices or agencies (the determining consideration being one of overall economy to the Government, rather than one of direct comparison of unit prices of individual items obtainable through other methods of supply); or no known procurement economies would be effected but the requirements

of offices or agencies can best be served by indefinite quantity requirements contracts.

(2) Acute competitive bidding problems exist because of highly technical matters which can best be met on a centralized contracting basis.

(3) The item is proprietary or so complex in design, function, or operation as to be noncompetitive and procurement can best be performed on a centralized contracting basis.

### § 101-25.101-5 Supply through local purchase.

The following criteria shall govern in determining whether an item should be supplied through local purchase:

(a) Urgency of need requires local purchase to assure prompt delivery;

(b) The items are perishable or subject to rapid deterioration which will not permit delay incident to shipment from distant points;

(c) The local purchase is within applicable limitation established by the agency head; or

(d) Local purchase will produce the greatest economy to the Government.

### § 101-25.102 Exchange or sale of personal property for replacement purposes.

Policies and methods governing executive agencies in exercising the authority granted under section 201(c) of the Federal Property and Administrative Services Act of 1949, as amended (40 U.S.C. 481(c)), are prescribed in Part 101-46.

### § 101-25.103 Trading stamps and bonus goods.

Federal agencies in a position to receive trading stamps and bonus goods shall establish internal procedures for the receipt and disposition of such gratuities using the policy set forth in this § 101-25.103 as minimum guidelines. Such procedures shall provide for a minimum of administrative and accounting controls.

(a) When contracts contain a price reduction clause, any method by which the price of a commodity or service is effectively reduced shall constitute a price reduction. Temporary or promotional price reductions are to be made available to contracting officers under the same

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101-25.106(a)

terms and conditions as to other customers. Procuring activities, however, rather than accept trading stamps and bonus goods, shall deduct the cost of such items from the contract price. If obtaining such a price reduction is not possible, the contracting officer shall document the contract file to that effect and dispose of the items as provided in paragraph (b), below.

(b) Agencies shall, through the lowest appropriate activity, arrange for transfer of trading stamps and/or bonus goods, without reimbursement or accountability, to a nearby Federal hospital or similar institution operated, managed, or supervised by the Department of Health, Education, and Welfare (DHEW), Department of Defense (DOD), or the Veterans Administration (VA) when:

- (1) The contract does not contain a price reduction clause, or
- (2) The contractor refuses to grant a price reduction, and
- (3) It is deemed practical and in the best interest of the Government to accept such items as a price reduction, and
- (4) The procuring agency has no need for the trading stamps or bonus goods.

Prior to transferring trading stamps and bonus goods to the above institutions it must be ascertained that the proposed recipient is prepared to receive and utilize such items.

**§ 101-25.104 Acquisition of office furniture and typewriters.**

Each executive agency shall make a determination as to whether the requirements of the agency can be met through the utilization of already owned items prior to the acquisition of new furniture or typewriters. The acquisition of new items shall be limited to those requirements which are considered absolutely essential and shall not include upgrading to improve appearance, office decor, status, or to satisfy the desire for the latest design or more expensive lines.

(a) Generally, acquisition of additional furniture or typewriters from any source will be authorized only under the following circumstances, limited to the least expensive lines which will meet the requirement (see § 101-26.408 of this chapter with respect to items such as typewriters under Federal Supply Schedule contracts) and the justification for the action fully documented in the agency file:

(1) For essential requirements arising from quantitative increases in onboard employment which constitute the total requirement of any agency or major component thereof (e.g., bureau, service, office).

(2) For essential requirements arising from a need not related to onboard employment increases but which are determined necessary to avoid impairment of program efficiency.

(b) Restrict replacement of furniture or typewriters either to usable excess, rehabilitated, or the least expensive lines of new furniture determined to meet the requirement under the following circumstances, authority for which shall be fully documented in the agency file:

(1) Where the agency determines that the item is not economically repairable.

(2) Where reductions in office space occupancy are accomplished through use of more convenient or smaller size furniture and the space economies thus achieved offset the cost of the furniture to be acquired.

**§ 101-25.104-1 Redistribution, repair, or rehabilitation.**

Prior to the purchase of new office furniture and typewriters, agencies shall fulfill needs insofar as practicable through redistribution, repair, or rehabilitation of already owned furniture and typewriters. In furtherance of the use of rehabilitated furniture and typewriters, agencies shall review inventories on a continuing basis to ascertain those items which can be economically rehabilitated and institute programs for their orderly repair and rehabilitation. All such items which are not required for immediate needs shall be reported as excess.

**§ 101-25.104-2 [Reserved]**

**§ 101-25.105 [Reserved]**

**§ 101-25.106 Servicing of office machines.**

(a) The determination as to whether office machines are to be serviced by use of annual maintenance contracts or per-call arrangements shall be made in each case after comparison of the relative cost affecting specific types of equipment in a particular location and consideration of the factors set forth in paragraph (b) of this section.

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## 101-25.106(b)

(b) Prior to making the determination required by paragraph (a) of this section, consideration shall be given to:

- (1) Standard of performance required;
- (2) Degree of reliability needed;
- (3) Environmental factors; i.e., dusty surroundings or other unfavorable conditions;
- (4) Proximity to available repair facilities;
- (5) Past experience with service facility; i.e., reputation, performance record, quality of work, etc.;
- (6) Daily use (heavy or light) and operator's care of machine;
- (7) Age and performance record of machine;
- (8) Machine inventory in relation to operating needs; i.e., availability of reserve machine in case of breakdown;
- (9) Number of machines; including overall frequency of repairs required;
- (10) Security restrictions, if any; and
- (11) Other pertinent factors.

**§ 101-25.107 Guidelines for requisitioning and proper use of consumable or low cost items.**

Consumable and low value items in inventory (cupboard stocks are not considered inventory) are subject to accounting and inventory record controls in accordance with applicable provisions of law and the principles and standards prescribed by the General Accounting Office, 2 GAO 12.5. Normally, however, the systems of control for such property cease at the time of issuance from a warehouse or storeroom to the consumer.

(a) The guidelines set forth in this § 101-25.107 are considered minimum to assure proper use of consumable or low cost items by individuals, subsequent to issue from accountable records and termination of formal accountability. Consumable items, for the purpose of this section, are considered to include those items actually consumed in use (e.g., pads and pencils) and those items required in performance of duties but for which, primarily by reason of the low value involved, no formal accountability is maintained after issue, and are generally referred to as "expendable."

(b) Approval of requisitions for replenishment of cupboard storeroom stocks should be restricted to officials at a

responsible supervisory level to insure that supply requirements are justified on the basis of essentiality and quantity. Where requisitions are not required, such as in procuring items from GSA self-service stores, informal "shopping lists" should be approved at the same level.

(c) Adequate safeguards and controls should be established to assure that issues of expendable supplies are made for official use only. In appropriate situations, this will include identification of individuals to whom expendable supplies have been issued. Experience has indicated, also, that certain items of expendables should not be displayed either at seasonal periods of the year or on a permanent basis.

(d) Agencies should give special attention to the items listed below (which from experience have proven personally attractive and susceptible of being used for other than official duties) and to add to this list when withdrawals are excessive when compared to program requirements for any specific item:

Attache cases.	Pencil sharpeners.
Ball point pens.	Portfolios (leather, plastic, and writing pads).
Ball point pen refills.	Rubber bands.
Brief cases.	Rulers.
Binders.	Scissors.
Carbon paper.	Spray paint and lacquer.
Dictionarys.	Felt tip markers.
Felt tip markers.	File folders.
File folders.	Letterex.
Letterex.	Letter openers.
Letter openers.	Pads (paper).
Pads (paper).	Paper clips.
Paper clips.	Stapler.
Pencils.	Staples.
	Staple removers.
	Tape dispensers.
	Transparent tape.
	Typewriter ribbons.

**§ 101-25.108 Multiyear subscriptions for publications.**

Subscriptions for periodicals, newspapers, and other publications for which it is known in advance that a continuing requirement exists should be for multiple years rather than for a single year where such method is advantageous for the purpose of economy or otherwise. Where various bureaus or offices in the same agency are subscribing to the same publication, consideration shall be given to consolidating these requirements, to the extent practical, on an agency wide basis and on a multiyear basis. Payment covering issues to be delivered during the entire subscription period may be made in advance from currently available appropriations (31 U.S.C. 530a).

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